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State Dept., OSD reviews completed

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1. Byrnes believes US must change foreign economic policy--Secretary Byrnes has informed Acting Secretary Clayton that the present situation "has so hardened" that the US, in the light of the attitude of the USSR and Soviet satellites, must reorient its economic policy in Europe and the Near East. The Secretary believes that instead of determining our economic assistance on the basis of need, capacity to repay and world trade, we must now act on the policy of helping our friends in every way and not assisting those who are opposing our principles.

The Secretary further believes that it is of the highest importance to assist Turkey and Greece. He has discussed the question of Turkey with Bevin and has suggested that Britain, in view of her Turkish alliance, furnish direct military equipment, while the US would render all feasible economic assistance and possibly provide a few technicians.

2. Local UNRRA officials attack Yugoslav Government--According to Embassy Belgrade, some local UNRRA officials are "suddenly concerned" by the failure of the local mission to report to UNRRA Headquarters the "seamy side of Yugoslav operations," including the Government's continued lack of cooperation, diversion of supplies for military use and failure to account for proceeds of UNRRA sales. One prominent UNRRA official declared that "on practical grounds there is no need to continue" food, clothing and transport supplies, and compared "continuing UNRRA aid to Yugoslavia to supplying scrap iron to Japan."

3. Need for UNRRA tractors in Czechoslovakia questioned--US Ambassador Steinhardt, commenting on the need for UNRRA tractors in Czechoslovakia, states that (a) at the present time there are more tractors in Czechoslovakia than before the war, (b) many factories, which manufactured tractors before the war, are now producing other types of heavy machinery for export to the USSR and other Balkan countries, and (c) the 1946 bumper crop, which was planted when relatively few UNRRA tractors were available, could also have been harvested without them.

4. US clarifies misinterpretation of Clayton statement--The State Department has advised US Legation Reykjavik that Acting Secretary Clayton's press remarks on 24 September (see Daily Summary of 25 September, item 4) were misinterpreted and that Clayton stated, when asked about withdrawal of US troops from Iceland, that "whatever promises we made,

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I am sure we will keep." Clayton now has directed Dreyfus to advise Prime Minister Thors that (a) the disestablishment of the naval base at Reykjavik is a "gesture of good will" and does not affect plans for troop withdrawals, and (b) the US holds that unless a new agreement is reached, the 1941 agreement remains in effect until the US concludes peace with Germany.

5. Argentina believed trying to fulfil Chapultepec pact--Messersmith reports that he now has conclusive evidence of the Peron Government's determination, in the face of "real difficulties," to take "adequate and appropriate action" to fulfil its Chapultepec commitments. He is convinced (a) that the Government desires to collaborate with the US and the other American republics, and (b) that many Argentines regard US newspaper comment questioning their Government's good faith as officially inspired.
6. British encouraged over BBC broadcasts to USSR--US Embassy London states that the British have received "encouraging reports" of the reception of their special broadcasts in European, USSR and the Baltic States. The British are confident that their audience in the USSR is increasing, "particularly since Soviet home broadcasts occasionally endeavor to answer items on UK broadcasts."

EUROPE

7. GERMANY: Underground military organizations--The State Department has informed US Embassy Madrid that according to Murphy two German war aces are trying to build the nucleus of a new Luftwaffe "in Spain or South America" and an unidentified military organization apparently is being developed as the nucleus of a new Reichswehr.
8. HUNGARY: Split widens between Smallholders and Communists--US Minister Schoenfeld reports that the Communists are increasingly concerned by the efforts of the Smallholders' Party to isolate them in the National Assembly. Schoenfeld states, however, that current political maneuvering is "unreal," since the ultimate decision depends on the extent to which the Soviets will support direct action by the Communists.

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9. **BULGARIA: Air Force**--According to US Delegation ACC Sofia, current reorganization of the Bulgarian Air Force aims at the creation of a small but efficient unit equipped with Soviet combat planes. The Delegation states, however, that morale of Air Force personnel is such that mass desertions would occur should the opportunity arise, and that drastic measures have been taken to guard against this possibility.

NEAR EAST-AFRICA

10. **IRAN: Qavam's difficulties increased**--US Ambassador Allen reports that Qavam's difficulties have been increased by a "temporary coolness" in his relations with Firuz, who had led Qavam to believe that the Qashqai could be trusted.

The Azerbaijanis are taking advantage of the Government's difficulties to stiffen their attitude in current negotiations and also have offered 10,000 troops to aid in fighting the southern tribes.

FAR EAST

11. **JAPAN: Repatriation from Soviet areas**--The State Department has instructed US Embassy Moscow to approach the Soviet Government with a request for the prompt repatriation of Japanese nationals from Soviet areas, particularly the estimated 800,000 Japanese troops captured by the USSR in Manchuria and North Korea.

12. **CHINA: Communist final request unacceptable**--US Embassy Nanking reports that the "last request" by Chou En-lai to General Marshall for convening the three-man Military Committee is couched in such terms that Marshall cannot accede to it.

Chinese urge ending of UNRRA shipment embargo--The State Department has told US Consul Shanghai that the Chinese, arguing that an unofficial "interim agreement" has substantially modified the UNRRA embargo on shipments to China, have requested the State Department to assist in persuading UNRRA to terminate the embargo officially and publicly.

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